

Executive Summary Report

Appraisal Date 1/1/2007 - 2007 Assessment Roll

Quadrant Name: Central King County Commercial Area

Previous Physical Inspection: 1/2006

Sales - Improved Summary:

Number of Sales: 297

Range of Sale Dates: 1/2004 – 1/2007

Sales - Ratio Study Summary:

	Improved Value	Sale Price	Ratio	COV
2006 Average Value	\$2,308,700	\$2,696,500	85.60%	18.74%
2007 Average Value	\$2,753,900	\$2,696,500	102.10%	15.93%
Change	+ \$ 445,200		+ 16.50%	- 2.81%
% Change	+ 19.28 %		+ 19.28%	-14.99%

*COV is a measure of uniformity, the lower the number the better the uniformity. The negative figures of 2.81% and 14.99% actually represent an improvement. Although the ratio study may look a bit aggressive, the market is in a rising mode and the ratios for older sales are skewed towards values over 1 because the market has eclipsed the older sales.

Sales used in Analysis: All improved sales which were verified as good that did not have characteristic changes between the date of sale and the date of appraisal were included in the analysis.

Population - Improved Parcel Summary Data:

	Land	Imps	Total
2006 Value	\$8,376,966,992	\$7,691,601,276	\$16,068,568,268
2007 Value	\$10,854,778,932	\$8,498,473,644	\$19,330,196,476
Percent Change	+ 29.58%	+ 10.49%	+ 20.30%

Number of improved Parcels in the Population: 4,756

Conclusion and Recommendation:

Since the values recommended in this report improve uniformity, assessment level and equity, we recommend posting them for the 2007 Assessment Roll.

The values shown in the improvement portion of the chart represent the total combined value for land and improvements.

Analysis Process

Areas within the Central Commercial Region and Responsible Appraisers

The following appraisers did the valuation for this region:

- Alan Hashimoto – Commercial Appraiser II (Area 30)
- Dan Margonelli – Commercial Appraiser II (Area 32)
- Joe Arnold – Commercial Appraiser II (Area 35)
- Bruce Zelk – Commercial Appraiser I (Area 36)
- Kevin Biggers – Commercial Appraiser I (Area 36 & 40)
- Dan Atkinson – Senior Commercial Appraiser (Area 40)
- Michele LeCompte – Commercial Appraiser I (Areas 45 & 47)

Highest and Best Use Analysis

As if vacant: Market analysis of this area, together with current zoning and current anticipated use patterns, indicate the highest and best of the majority of the appraised parcels as commercial use. Any opinion not consistent with this is specifically noted in our records and considered in the valuation of the specific parcel

As if improved: Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. We find that the current improvements do add value to the property, in most cases, and are therefore the highest and best use of the property as improved. In those properties where the property is not at its highest and best use, a token value of \$1,000.00 is assigned to the improvements.

Interim Use: In many instances a property's highest and best use may change in the foreseeable future. A tract of land at the edge of a city might not be ready for immediate development, but current growth trends may suggest that the land should be developed in a few years. Similarly, there may not be enough demand for office space to justify the construction of a multistory office building at the present time, but increased demand

may be expected within five years. In such situations, the immediate development of the site or conversion of the improved property to its future highest and best use is usually not financially feasible.

The use to which the site is put until it is ready for its future highest and best use is called an interim use. Thus, interim uses are current highest and best uses that are likely to change in a relatively short time.

Standards and Measurement of Data Accuracy: Each sale was verified with the buyer, seller, real estate agent or tenant when possible. Current data was verified and corrected when necessary via field inspection.

Special Assumptions, Departures and Limiting Conditions

We considered all three approaches to value. Contract rent was used in place of economic rent, in some cases.

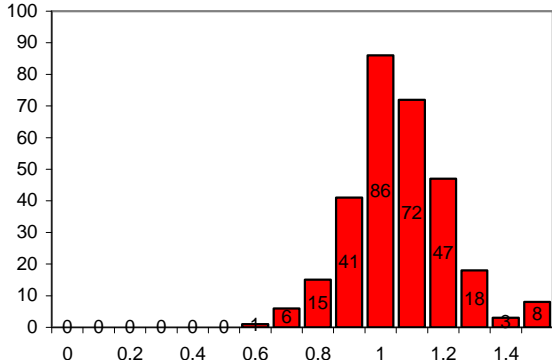
The following Departmental guidelines were considered and adhered to:

- Sales from 1/04 to 1/07 (at minimum) were considered in all analyses.
- No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends. The utilization of three years of market information without time adjustments averaged any net changes over that time period.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

2006 Assessment Year

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:																							
Central Crew	1/1/2007	6/18/2007	1/6/04 - 1/3/07																							
Area	Appr ID:	Prop Type:	Trend used?: Y / N																							
OVERALL	DATK	Improvement	N																							
SAMPLE STATISTICS																										
Sample size (n)	297	<div>Ratio Frequency</div> <table><thead><tr><th>Ratio</th><th>Frequency</th></tr></thead><tbody><tr><td>0.4-0.5</td><td>9</td></tr><tr><td>0.5-0.6</td><td>16</td></tr><tr><td>0.6-0.7</td><td>13</td></tr><tr><td>0.7-0.8</td><td>30</td></tr><tr><td>0.8-0.9</td><td>37</td></tr><tr><td>0.9-1.0</td><td>43</td></tr><tr><td>1.0-1.1</td><td>76</td></tr><tr><td>1.1-1.2</td><td>51</td></tr><tr><td>1.2-1.3</td><td>14</td></tr><tr><td>1.3-1.4</td><td>6</td></tr></tbody></table>			Ratio	Frequency	0.4-0.5	9	0.5-0.6	16	0.6-0.7	13	0.7-0.8	30	0.8-0.9	37	0.9-1.0	43	1.0-1.1	76	1.1-1.2	51	1.2-1.3	14	1.3-1.4	6
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0.4-0.5	9																									
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1.1-1.2	51																									
1.2-1.3	14																									
1.3-1.4	6																									
Mean Assessed Value	2,308,700																									
Mean Sales Price	2,696,500																									
Standard Deviation AV	4,641,018																									
Standard Deviation SP	5,188,237																									
ASSESSMENT LEVEL																										
Arithmetic mean ratio	0.850																									
Median Ratio	0.900																									
Weighted Mean Ratio	0.856																									
UNIFORMITY																										
Lowest ratio	0.2873																									
Highest ratio:	1.4838																									
Coefficient of Dispersion	18.74%																									
Standard Deviation	0.2126																									
Coefficient of Variation	25.01%																									
Price-related Differential	0.99																									
RELIABILITY																										
95% Confidence: Median																										
Lower limit	0.856																									
Upper limit	0.922	These figures reflect measurements <u>before</u> posting new values.																								
95% Confidence: Mean																										
Lower limit	0.826																									
Upper limit	0.874																									
SAMPLE SIZE EVALUATION																										
N (population size)	4611																									
B (acceptable error - in decimal)	0.05																									
S (estimated from this sample)	0.2126																									
Recommended minimum:	71																									
Actual sample size:	297																									
Conclusion:	OK																									
NORMALITY																										
Binomial Test																										
# ratios below mean:	128																									
# ratios above mean:	169																									
z:	2.321035413																									
Conclusion:	Non-normal																									
*i.e., no evidence of non-normality																										

2007 Assessment Year

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:
Central Crew	1/1/2007	6/18/2007	1/6/04 - 1/3/07
Area	Appr ID:	Prop Type:	Trend used?: Y / N
OVERALL	DATK	Improvement	N
SAMPLE STATISTICS			
Sample size (n)	297	<div>Ratio Frequency</div> 	
Mean Assessed Value	2,753,900		
Mean Sales Price	2,696,500		
Standard Deviation AV	5,341,915		
Standard Deviation SP	5,188,237		
ASSESSMENT LEVEL			
Arithmetic mean ratio	1.013	<div>These figures reflect measurements <u>after</u> posting new values.</div>	
Median Ratio	1.000		
Weighted Mean Ratio	1.021		
UNIFORMITY			
Lowest ratio	0.5655		
Highest ratio:	1.8577		
Coefficient of Dispersion	11.65%		
Standard Deviation	0.1614		
Coefficient of Variation	15.93%		
Price-related Differential	0.99		
RELIABILITY			
95% Confidence: Median			
Lower limit	0.994	These figures reflect measurements <u>after</u> posting new values.	
Upper limit	1.009		
95% Confidence: Mean			
Lower limit	0.995		
Upper limit	1.032		
SAMPLE SIZE EVALUATION			
N (population size)	4611		
B (acceptable error - in decimal)	0.05		
S (estimated from this sample)	0.1614		
Recommended minimum:	41		
Actual sample size:	297		
Conclusion:	OK		
NORMALITY			
Binomial Test			
# ratios below mean:	168		
# ratios above mean:	129		
z:	2.204983642		
Conclusion:	Non-normal		
*i.e., no evidence of non-normality			

USPAP Compliance

Client and Intended Use of the Appraisal:

This mass appraisal report is intended for use only by the King County Assessor and other agencies or departments administering or confirming ad valorem property taxes. Use of this report by others is not intended by the appraiser. The use of this appraisal, analyses and conclusions is limited to the administration of ad valorem property taxes in accordance with Washington State law. As such it is written in concise form to minimize paperwork. The assessor intends that this report conform to the Uniform Standards of Professional Appraisal Practice (USPAP) requirements for a mass appraisal report as stated in USPAP SR 6-8. To fully understand this report the reader may need to refer to the Assessor's Property Record Files, Assessors Real Property Data Base, separate studies, Assessor's Procedures, Assessor's field maps, Revalue Plan and the statutes.

The purpose of this report is to explain and document the methods, data and analysis used in the revaluation of King County. King County is on a six year physical inspection cycle with annual statistical updates. The revaluation plan is approved by Washington State Department of Revenue. The revaluation plan is subject to their periodic review.

Definition and date of value estimate:

Market Value

The basis of all assessments is the true and fair value of property. True and fair value means market value (Spokane etc. R. Company v. Spokane County, 75 Wash. 72 (1913); Mason County Overtaxed, Inc. v. Mason County, 62 Wn. 2d (1963); AGO 57-58, No. 2, 1/8/57; AGO 65-66, No. 65, 12/31/65) . . . or amount of money a buyer willing but not obligated to buy would pay for it to a seller willing but not obligated to sell. In arriving at a determination of such value, the assessing officer can consider only those factors which can within reason be said to affect the price in negotiations between a willing purchaser and a willing seller, and he must consider all of such factors. (AGO 65,66, No. 65, 12/31/65)

Highest and Best Use

WAC 458-07-030 (3) **REAL PROPERTY VALUATION—HIGHEST AND BEST USE.**

True and fair value -- Highest and best use. *Unless specifically provided otherwise by statute, all property shall be valued on the basis of its highest and best use for assessment purposes. Highest and best use is the most profitable, likely use to which a property can be put. It is the use which will yield the highest return on the owner's investment. Any reasonable use to which the property may be put may be taken into consideration and if it is peculiarly adapted to some particular use, that fact may be taken into consideration. Uses that are within the realm of possibility, but not reasonably probable of occurrence, shall not be considered in valuing property at its highest and best use.*

If a property is particularly adapted to some particular use this fact may be taken into consideration in estimating the highest and best use. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922)) The present use of the property may constitute its highest and best use. The appraiser shall, however, consider the uses to which similar property similarly located is being put. (Finch v. Grays Harbor County, 121 Wash. 486 (1922)) The fact that the owner of the property chooses to use it for less productive purposes than similar land is being used shall be ignored in the highest and best use estimate. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922))

Where land has been classified or zoned as to its use, the county assessor may consider this fact, but he shall not be bound to such zoning in exercising his judgment as to the highest and best use of the property. (AGO 63-64, No. 107, 6/6/64)

'Highest and best use' is defined in The Appraisal of Real Estate, twelfth edition, page 305, as follows:

"The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, and financially feasible and that results in the highest value."

Date of Value Estimate

All property now existing, or that is hereafter created or brought into this state, shall be subject to assessment and taxation for state, county, and other taxing district purposes, upon equalized valuations thereof, fixed with reference thereto on the first day of January at twelve o'clock meridian in each year, excepting such as is exempted from taxation by law. [1961 c 15 §84.36.005]

The county assessor is authorized to place any property that is increased in value due to construction or alteration for which a building permit was issued, or should have been issued, under chapter 19.27, 19.27A, or 19.28 RCW or other laws providing for building permits on the assessment rolls for the purposes of tax levy up to August 31st of each year. The assessed valuation of the property shall be considered as of July 31st of that year. [1989 c 246 § 4]

Reference should be made to the property card or computer file as to when each property was valued. Sales consummating before and after the appraisal date may be used and are analyzed as to their indication of value at the date a valuation. If market conditions have changed then the appraisal will state a logical cutoff date after which no market date is used as an indicator of value.

Property rights appraised:

Fee Simple

The definition of fee simple estate as taken from The Third Edition of The Dictionary of Real Estate Appraisal, published by the Appraisal Institute. "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

Assumptions and Limiting Conditions:

- 1. No opinion as to title is rendered. Data on ownership and legal description were obtained from public records. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements and restrictions unless shown on maps or property record files. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.*
- 2. No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.*
- 3. No responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes, can be assumed without provision of specific professional or governmental inspections.*
- 4. Rental areas herein discussed have been calculated in accord with generally accepted industry standards.*
- 5. The projections included in this report are utilized to assist in the valuation process and are based on current market conditions and anticipated short term supply demand factors. Therefore, the projections are subject to changes in future conditions that cannot*

- be accurately predicted by the appraiser and could affect the future income or value projections.*
- 6. The property is assumed uncontaminated unless the owner comes forward to the Assessor and provides other information.*
 - 7. The appraiser is not qualified to detect the existence of potentially hazardous material which may or may not be present on or near the property. The existence of such substances may have an effect on the value of the property. No consideration has been given in this analysis to any potential diminution in value should such hazardous materials be found (unless specifically noted). We urge the taxpayer to retain an expert in the field and submit data affecting value to the assessor.*
 - 8. No opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers for ad valorem tax purposes, although such matters may be discussed in the report.*
 - 9. Maps, plats and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.*
 - 10. The appraisal is the valuation of the fee simple interest. Unless shown on the Assessor's parcel maps, or otherwise in the Assessor's database, easements adversely affecting property value were not considered.*
 - 11. An attempt to segregate personal property from the real estate in this appraisal has been made.*
 - 12. Items which are considered "typical finish" and generally included in a real property transfer, but are legally considered leasehold improvements, are included in the valuation unless otherwise noted.*
 - 13. The movable equipment and/or fixtures have not been appraised as part of the real estate. The identifiable permanently fixed equipment has been appraised in accordance with RCW 84.04.090 and WAC 458-12-010.*
 - 14. I have considered the effect of value of those anticipated public and private improvements of which I have common knowledge. I can make no special effort to contact the various jurisdictions to determine the extent of their public improvements.*
 - 15. Exterior inspections were made of all properties in the physical inspection areas (outlined in the body of the report) however; due to lack of access and time few received interior inspections.*

Scope Of Work Performed:

Research and analyses performed are identified in the body of the revaluation report. The assessor has no access to title reports and other documents. Because of legal limitations we did not research such items as easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations and special assessments. Disclosure of interior home features and, actual income and expenses by property owners is not a requirement of the law therefore attempts to obtain and analyze this information are not always successful. The mass appraisal performed must be completed in the time limits indicated in the Revaluation Plan and as budgeted. The scope of work performed and disclosure of research and analyses not performed are identified throughout the body of the report.

CERTIFICATION:

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct*
- The report analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.*
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.*
- I have no bias with respect to the property that is the subject of this report or to the parties involved.*
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.*
- My compensation for completing this assignment is not contingent upon the development or reporting of predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.*
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.*
- The area(s) physically inspected for purposes of this revaluation are outlined in the body of this report.*

MEMORANDUM

DATE: January 4, 2007
TO: Commercial Appraisers
FROM: Scott Noble, Assessor
SUBJECT: 2007 Revaluation for 2008 Tax Roll



The King County Assessor, as elected representative of the people of King County, is your client for the mass appraisal and report. The King County Department of Assessments subscribes to the Uniform Standards of Professional Appraisal Practice 2006. You will perform your appraisals and complete your mass appraisal reports in compliance with Standard 6 of USPAP 2006. The following are your appraisal instructions and conditions:

1. You are to timely appraise the area or properties assigned to you by the revalue plan. The Scope of Work may be modified as necessary including special limiting conditions to complete the Revalue Plan.
2. You are to use all appropriate mass appraisal techniques as stated in USPAP, Washington State Law; Washington State Administrative Code, IAAO texts or classes.
3. The standard for validation models is the standard as delineated by IAAO in their Standard on Ratio Studies (approved 1999); and
4. Any and all other standards as published by the IAAO.
5. Appraise land as if vacant and available for development to its highest and best use. The improvements are to be valued at their contribution to the total.
6. You must complete the revalue in compliance with all Washington and King County laws, codes and with due consideration of Department of Revenue guidelines. The Jurisdictional Exception is to be invoked in case USPAP does not agree with these public policies.

7. Physical inspections should be completed per the revaluation plan and statistical updates completed on the remainder of the properties as appropriate.
8. You must complete a written mass appraisal report for each area and a statistical update report in compliance with USPAP Standard 6.
9. All sales of land and improved properties should be validated as correct and verified with participants as necessary.
10. You must use at least three years of sales. No adjustments to sales prices shall be made to avoid any possibility of speculative market conditions skewing the basis for taxation.
11. Continue to review dollar per square foot as a check and balance to assessment value.
12. The intended use of the appraisal and report is the administration of ad valorem property taxation.
13. The intended users include the Assessor, Board of Equalization, Board of Tax Appeals, King County Prosecutor and Department of Revenue.

SN: swr